

Memorandum

To: Mr. Ramon J. Hirsig
Executive Director

Date: May 4, 2004

From: David J. Gau, Deputy Director
Property and Special Taxes Department



Subject: **2004-05 Tobacco Products Tax Rate**
(May 25, 2004 Administrative Consent Calendar)

Section 30126 of the Revenue and Taxation Code requires the Board's annual determination of the tobacco products tax rate pursuant to subdivision (b) of section 30123, Revenue and Taxation Code. The rate is based on the wholesale cost of tobacco products as of March 1, and is effective during the next fiscal year.

The recommended 2004-05 Tobacco Products Tax Rate is based on the wholesale premium brand cigarette price in April 2002, as published by the United States Department of Agriculture. The April 2002 price is being used for the determination of the 2004-05 rate because it is the latest published price change, as called for in the statutes, and reflects the wholesale cost of cigarettes as of March 1, 2004. Staff's calculation of the 2004-05 Tobacco Products Tax Rate is detailed on Attachment 1, and the Board-adopted Tobacco Products Tax Rates from fiscal year 1988-89 through 2003-04 are shown on Attachment 2.

I recommend your concurrence with the continuation of the 46.76 percent Tobacco Products Tax Rate for 2004-05.

Please place this item on the Board's May 25, 2004 Administrative Consent Calendar for approval.

DJG:kn
Attachments

cc: Ms. Deborah Pellegrini
Mr. Dennis Maciel

Approved: _____


Ramon J. Hirsig
Executive Director

BOARD APPROVED
at the _____ Board Meeting

Deborah Pellegrini, Chief
Board Proceedings Division

Item #N
Sub-item 4
5/25/04

TOBACCO PRODUCTS RATE CALCULATION

July 1, 2004 to June 30, 2005

WHOLESALE COST PER CIGARETTE - CALIFORNIA

MANUFACTURER'S LIST CIGARETTE PRICES - March 1, 2004 (1)

<u>CIGARETTE TYPE</u>	<u>PRICE</u>
Standard	\$ 138.20
King Size	\$ 138.20
Filter Tips	\$ 138.20
100 mm	<u>\$ 138.20</u>

Computation:

1. Avg. Mfg. Price Per 1,000 cigarettes	\$ 138.20
2. Add: Whsle Markup @ 6% (line 1 x .06)	<u>\$ 8.29</u>
3. Avg. Wholesale Price (line 1 + line 2)	\$ 146.49
4. Avg. Wholesale Price (line 3/1,000)	\$ 0.1465

Rate Calculation:

c = tax rate per cigarette (\$.0685)
 (c includes the tax rate per cigarette of \$.0435 per package of 20 cigarettes
 plus the increase equivalent rate pursuant to Prop. 10 effective 7/1/99)
w = weighted average wholesale cost of one cigarette (\$.1465)
x = tax rate on tobacco products

$$\frac{c}{w} = x, \quad \text{or} \quad \frac{\$0.0685}{\$0.1465} = \underline{\underline{46.76\%}}$$

(1) USDA Tobacco Situation and Outlook report at www.ers.usda.gov/briefing/tobacco/tables.htm

TOBACCO PRODUCTS RATE HISTORY

<u>Fiscal Year</u>	<u>Rate</u>
88-89	41.67%
89-90	37.47%
90-91	34.17%
91-92	29.35%
92-93	26.82%
93-94	23.03%
94-95	31.20%
95-96	31.20%
96-97	30.38%
97-98	29.37%
7/98-12/98	26.17%
1/99-6/99	61.53%
99-00	66.50%
July 1 to September 9, 2001	
Smokeless Tobacco	
Moist Snuff	
\$0 to \$1.69 per ounce	248%
\$1.70 and above per ounce	131%
Dry Snuff	256%
Chewing Tobacco	490%
Other Tobacco Products	52.65%
September 10, 2001 to June 30, 2002	52.65%
02-03	48.89%
03-04	46.76%
04-05	46.76%